



# SBA Information Notice

**TO:** All SBA Employees

**CONTROL NO.:** 5000-1082

**SUBJECT:** Implementation of SBA's Addition  
of LIBOR Plus 3 Percent as a Base  
Rate

**EFFECTIVE:** 11/20/2008

On November 13, 2008, SBA published an interim final rule that changed the definition of "base rate" set out in 13 CFR 120.214(c) to allow a new optional base rate: One Month LIBOR plus 3 percentage points ("LIBOR Base Rate"). On November 14, 2008, SBA issued Procedural Notice 5000-1081 to explain the addition of the LIBOR Base Rate.

In addition to adding a new base rate, under the revised regulation, the base rate in effect on the first business day of the month will determine the basis for the initial interest rate for any loan application received by SBA during that month. (Historically, the initial interest rate was determined as of the date the loan application was received by SBA.)

As a result of these changes, SBA has revised the relevant loan application forms as well as the Loan Authorization to accommodate the new LIBOR Base Rate. SBA Form 1920SX - Part B (Supplemental Information for SBA Express, Pilot Loan Programs and PLP Processing), SBA Form 2238 SBA Express/Patriot Express Guaranty Request (Eligibility Authorized), and SBA Form 2301 (Part B) (Lender Advantage Initiative – Lenders Application for Guaranty) have replaced "P + \_\_\_\_\_" with the following data requirements. (SBA Form 4-I, Lender's Application for Guaranty or Participation, already has a space in which to identify the optional base rate.)

<input type="checkbox"/> Prime rate*	= _____	+ Spread _____	= Loan Interest Rate: _____
<input type="checkbox"/> LIBOR *(1 month) + 3.0%	= _____	+ Spread _____	= Loan Interest Rate: _____
<input type="checkbox"/> SBA Peg Rate	= _____	+ Spread _____	= Loan Interest Rate: _____

\*Rate in effect on first business day of month as identified in a national financial newspaper or website.

For example, if an application is received by SBA in November of 2008 (on or after the effective date of Notice 5000-1081), the following would be the applicable base rate options:

**Prime:** 4.0 % (as in effect on the first business day of November)

**LIBOR:** 2.36 % (as in effect on the first business day of November) + 3.0 % = 5.36

**SBA Peg Rate:** 4.63 % (as in effect for the period between October 1, 2008 and December 31, 2008)

The applicable loan interest rate would then be the "base rate + the spread."

As noted in Notice 5000-1081, these changes are applicable to 7(a) loan applications that lenders may currently have internally in process, but they are not applicable to loan applications that have already been received by SBA or loan applications that have been approved by SBA. As a

**EXPIRES:** 11/1/2009

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SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete  
Must be accompanied by SBA Form 58

result, lenders cannot change the base rate of an existing SBA-guaranteed loan through a servicing action.

SBA field offices should advise lenders of these changes. Questions or concerns may be directed to Gail Hepler at [gail.hepler@sba.gov](mailto:gail.hepler@sba.gov).

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Director  
Office of Financial Assistance